ECO/ESG

Brussels, 9 December 2024

To the members of the
European Semester Group

The secretary-general of the European Economic and Social Committee is pleased to enclose the

MINUTES

of the 33rd meeting
of the
European Semester Group,
held at the Committee building in Brussels
on
9 December 2024

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The European Semester Group (ESG) held its 33rd meeting at the Committee building in Brussels, **from 14:30 to 17:30 on Monday 9 December 2024.** It was a hybrid meeting, with some members connecting remotely via the Interactio videoconferencing system and others attending in person. The meeting was chaired by the ESG president, **Luca Jahier**.

1. Adoption of the draft agenda

The draft agenda was adopted.

2. Approval of the minutes of the 32nd European Semester Group meeting held on 24 September 2024 (EESC-2024-03022-00-00-PV-REF)

The minutes were approved.

3. Introduction by the president of the group, **Luca Jahier**.

- This interinstitutional debate had come about at the initiative of the national economic and social councils (NESCs), in particular the **Belgian Central Economic Council** and the **Belgian National Labour Council**, whose presidents had played a key role in the decision to send the EESC a letter stressing the **importance of cooperation between the EESC, the NESCs** and other European institutions on the European Semester.
- The **Autumn Package**, submitted by the European Commission every November, marked the launch of a new cycle of the European Semester. The package provided an overview of the socio-economic landscape and highlighted key priorities and risks. It also provided policy guidance to help EU Member States achieve these objectives.
- The 2025 package[1] presented on 26 November 2024 did not contain all the usual documents. The Commission had to wait for the new College of Commissioners to approve the policy guidelines.
- Before the debate, the secretariat would give a summary of the state of play with ESG consultation in Member States.

4. **State of play of the consultation** in the framework of the **ECO/651** information report and **ECO/652** opinion on the reform and investment proposals formulated as part of the 2024-2025 European Semester cycle. – Questionnaire and round tables

Ms Colombe Gregoire, ESG secretariat, stressed the following:

- The subjects of this year's consultation were i) reform and investment measures in the Member States, in particular those based on the 2024 country-specific recommendations (CSRs); ii) medium-term fiscal-structural plans (MTFSPs); and iii) progress in implementing the reforms and investment set out in the national recovery and resilience plans.
- The aim of the EESC's information report ECO/651 was to bring together the views of the stakeholders consulted through the round tables and the questionnaire. In addition, own-initiative opinion ECO/652, which formed a package with the information report, aimed to present the EESC's recommendations, conclusions and policy proposals.

1 2025 European Semester: Autumn package - European Commission.

- For this year's consultation, eight round tables had been scheduled (in Finland, Hungary, Poland, Italy, Ireland, Latvia, Spain and Malta). The other national ESG delegations are contributing to the consultation using the online questionnaire.
- Documents ECO/651 and ECO/652 were scheduled for adoption in April 2025 at the ECO Section meeting and EESC plenary session.

The ESG president, **Mr Jahier**, opened the floor to questions/comments. **Mr Kiukas**, **Mr Edelény** and **Mr Orrit** made the following comments:

- The round table organised in Finland had been the best one of the three that had been held in the country so far. There had been more representatives than on previous occasions and the debate had been lively. There had been 14 attendees, representing both trade unions and employers' organisations, as well as a representative from the European Commission. The Finnish economy had undergone major changes, notably a transfer of responsibility for healthcare services, which accounted for a significant portion of the state budget, from local authorities to central government. The large budget deficit and high levels of government debt had also been discussed.
- The round table in Hungary had brought together 18 representatives from a wide range of organisations. The representatives had understood that, for Hungary's first MTFSP, consultation was not possible due to time constraints.

5. Interinstitutional debate on the 2025 European Semester Autumn Package

The President of the EESC, **Oliver Röpke,** introduced the debate:

- **Social dialogue** was pivotal in shaping economic, labour and social policies that promoted the **upward convergence of living and working conditions**.
- In the context of the European Semester, the active participation of organised civil society strengthened **democratic legitimacy** and built up confidence in both EU institutions and national authorities. It also ensured more **effective implementation** of jointly agreed reform and investment measures at national and EU level.
- The contribution of NESCs was essential to the European Semester and was vital in **enhancing social cohesion** and improving working conditions across the EU. The EESC had a role to play as a provider of key insights on policy and in supporting NESCs to empower them further in the interinstitutional debate on the Semester.
- In addition, it was important to further **strengthen the social dimension of the Semester**. The EESC advocated more **robust monitoring** of the way that the **European Pillar of Social Rights**[2] was implemented in the Semester. The inclusion of a **Social Convergence Framework** in the European Semester had brought added value by shining a light on the overall risks to, and challenges relating to, social convergence in the EU.
- Furthermore, upward social, economic and territorial convergence in the EU was intrinsically linked to **competitiveness** in the EU as a whole. Reforms and investment in Member States therefore had to promote upward convergence and help less competitive regions improve their performance, while ensuring that the most competitive regions continued to prosper. This was why

[2] European Pillar of Social Rights - Building a fairer and more inclusive European Union - European Commission.

the **increased coordination between the European Semester and Cohesion Policy** was welcome.

The ESG President, **Mr Jahier,** explained the following:

- **The need to implement reforms and investment** in the Member States was not a new subject for the EESC. This had become **more urgent and vital with the RRF regulation**, since national Recovery and Resilience Plans (RRPs) had to include reform and investment measures and the disbursement of funds was conditional on progress in their implementation.
- The reform of the economic governance framework had made this **performance-based approach** even more crucial in the national MTFSPs. There was **clear conditionality**, namely that reforms and investment had to be successful.
- **Involvement of national stakeholders at all stages** – preliminary discussions, adoption of key measures, implementation, assessment, etc. – was still lacking. This was important, because a substantial part of national plans was implemented on the ground by local and regional authorities, employers' and workers' representatives, civil society organisations, academia, etc. The absence of these stakeholders from such a process would make **implementation of the reforms more difficult and more costly**.

Mr Wojciech Balcerowicz, DG ECFIN, European Commission, presented the fiscal part of the 2025 European Semester Autumn Package. He highlighted the following:

- The Autumn Package presented by the European Commission on 26 November 2024 had focused on **fiscal documents**, namely a set of proposals for **Council recommendations on MTFSPs**, a set of **opinions on the draft budgetary plans** (DBPs) of euro area countries, reports on the **Excessive Deficit Procedure (EDP)** for Austria and Finland, a post-programme surveillance report, etc. This package had been the **first under the new governance framework**.
- **MTFSPs** lay at the core of the new economic governance. The European Commission had assessed three elements:
    i. the net expenditure path for 4 to 7 years;
    ii. the reforms and investment that underpinned an extension to the adjustment period;
    iii. other reforms and investment addressing CSRs and common EU priorities.
- The path set out in the plans and endorsed by the Council was the benchmark for the European Commission's monitoring.
  Reforms and investment that underpinned an **extension to the adjustment period** should enhance growth and resilience, support fiscal sustainability, respond to common EU priorities, address relevant CSRs and ensure that nationally financed public investment was preserved.
- Five countries had requested an adjustment period of 7 years (FI, ES, IT, RO and FR). The reform and investment measures presented by those countries therefore had to include measures already provided for in their national RRPs, sometimes with additional specifications, as well as new measures.
- The European Commission had assessed **21 out of 22** plans (the Hungarian plan was still being assessed due to its late submission). **20 plans had been recommended for endorsement by the Council**; the Dutch plan had not been. BE, BG, AT, LT and DE had not yet submitted their plans.
- The European Commission was intending to open an EDP against Austria. The country was still in the process of forming a new government, which was why the projections used by the Commission

had not taken into account any change in policy. If the new government took measures to comply with the deficit criterion for 2025, the EDP would not be opened.

- The Commission had assessed the DBPs in light of the new governance framework, i.e. net expenditure in growth had been compared with the ceilings of the MTFSPs, if one had been submitted by the Member State concerned, or with the Commission's prior guidance. The DBPs of HR, CY, FR, EL, IT, LV, SK and SI complied with the recommendations. The plans of EE, DE, FI, LU, MT and PT were not fully in line with them, while NL's plan was not in line and LT's plan was at risk of not being in line.
- The Alert Mechanism Report (AMR), the euro area recommendation and the joint employment report (including the first steps of the new annual cycle of the Social Convergence Framework) would be published as the second part of the Autumn Package on **18 December 2024**.

Mr Gergő Szénégető, Macroeconomic Attaché, Permanent Representation of Hungary to the European Union, gave an overview of the reformed Stability and Growth Pact, focusing on the social dimension. He stressed the following:

- We were witnessing a major change with the reform of the EU's economic governance framework, i.e. the **focus on the social dimension**, namely **Article 3**[3] of the new regulation, which incorporated the social performance of the Member States.
- Several challenges could be highlighted:
    i. the **slackening focus of the European Semester on economic policy coordination**;
    ii. concerns regarding **measurement**, as the Social Convergence Framework was very new;
    iii. methodological issues regarding the **assessment of social reforms and investment**, namely problems relating to **definitions** and how to define social investment.
- The RRF could be considered as a good reference for MTFSPs. Smaller Member States had found it more difficult to design their national plans. They would have benefited from more help from the Commission or other bodies when drawing up their plans.
- Another new aspect concerned the EDPs, because the Council had adopted the decision in July 2024, and **it was not until November 2024 that the EDP recommendations had been issued**, due to the timing of the presentation of the MTFSPs. The aim of **this delay had been to allow Member States to take as much ownership of the plans as possible.**

Mr Sebastian Hauptmeier, Team Lead - Economist, Fiscal Policies Division of the Directorate General Economics, European Central Bank, presented the 2025 fiscal stance for the Euro area. He highlighted the following:

- In its monetary policy statement of 17 October 2024[4], the ECB reported on its close monitoring of Member States' fiscal structural policies, stating that **full, transparent and timely implementation of the framework** would help governments to reduce budget deficits and debt ratios in a sustained manner. It stressed that governments should make a firm commitment to this in their MTFSPs. The ECB also underlined the importance of fiscal policy in meeting the multiple challenges facing the EU and the **considerable investment needs** entailed. **The bulk of this investment would have to come from the private sector**, but the **public sector** would also have to **make a significant**

3 Regulation - 2024/1263 - EN - EUR-Lex.
4 Monetary Policy Statement - 17 October 2024 - ECB.

contribution, in the order of **0.6 to 1 percentage point of GDP per year** over the next seven years. However, **there was limited fiscal space**, notably in Member States facing debt problems.

- The 2025 Autumn Package was an important step in the transition to the EU's new economic governance framework. Implementation of the MTFSPs would show whether the objectives of the new fiscal rules would be achieved. The move towards a **more risk-based approach** to fiscal surveillance meant that **fiscal heterogeneity could be taken into account**.
- At the meeting of the European Parliament's ECON Committee in December, the ECB's President, Ms Lagarde, had stressed that the focus on debt sustainability in the new fiscal rules favoured the transmission of monetary policy.
- A **contractionary phase** was forecast for the first period, due to implementation of the constraints set out in the budgetary plans. The composition was interesting, since the fiscal tightening was mainly due to a **reduction in expenditure**, **offset by higher investment**.
- There were some concerns about the 2025 fiscal stance, linked, on the one hand, to **the risk of non-compliance** with the requirements of the new fiscal rules and, on the other, to the political situation in certain Member States, which had led to a delay in the submission of their plans.
- For the ECB, it was important that Member States that had opted for an extended adjustment period carry out the reforms and investment that underpinned this extension.

Mr Benoît Bayenet, President of the Central Economic Council of Belgium, stressed the following:

- The challenges facing the EU were both crucial and complex, requiring **collective vision**, **strong governance** and **enhanced coordination** between Member States.
- The **systematic and timely involvement of social partners and civil society** was essential in order to anticipate and deal with the challenges posed by the demographic, economic, technological and climate transitions. It was a prerequisite for the success of EU policies.
- For the Belgian councils, it was essential to treat the **green and digital transitions as cross-cutting challenges**. To achieve these transformations, the involvement of organised civil society and social partners was key, would ensure a fair transition, and would allow those involved to anticipate and deal with changes. In addition, cooperation between governments and social partners was essential to ensure sustainable growth.
- In October 2024, the Central Economic Council had published a report on Belgian public finances[5] under the new fiscal rules. The report warned of a deterioration in public finances, exacerbated by demographic ageing and the need for investment to meet climate objectives.
- Another proposal put forward by the Council was the **creation of a permanent investment fund to succeed the RRF**. This fund would support long-term green and digital infrastructure. It would also **reduce the fragmentation of funding**, **increase European cohesion** and **maximise benefits for national investment.**

Mr Rudi Delarue, President of the National Labour Council of Belgium, explained the following:

- It was crucial to step up the involvement of organised civil society and social partners in the European Semester process, both at European and national level. The latter was even more relevant as it was responsible for the social protection and employment budget. There was a **clear need for ownership and implementation of reforms and investment** at national level. Strong social and civil dialogue was key to turn socio-economic policy coordination into concrete action. This was all

5 Finances publiques : État des lieux des finances publiques belges dans le nouveau cadre budgétaire européen.

the more important given that **social dialogue was increasingly linked to the coordination of social and economic policy by the EU**, for example with regard to pensions, wage-setting, health spending, etc. The National Labour Council stressed the importance of the **adequate and timely involvement of national economic and social councils in the European process**.

- The EU institutions were aware of the importance of **social and civil dialogue**, as **set out in several EU texts, but this was not a guarantee that it actually took place in the Member States.**

Mr András Edelényi, on behalf of **Ms Ágnes Cser**, president-in-office of the National Economic Social Council of Hungary, highlighted the following:

- There were two major points here: experience from the previous year's consultation of civil society and the collective demands of civil society.
- The round table organised in Hungary in December 2024[6] had highlighted the fact that:
    - i. there was **little general awareness of the Semester process**, and what existed **varied considerably**. There were large representative bodies, i.e. umbrella organisations, that were well aware of, and equipped to, discuss these issues. Then there were smaller NGOs – interest groups – who lacked the information, skills and capacity to understand and contribute properly to the process;
    - ii. EU-funded programmes lacked **retrospective evaluations**;
    - iii. there was too much red tape, especially for smaller bodies, e.g. municipalities.
- Some of civil society's requests have already been taken into account, such as the need for online communication platforms. They are working well, with the exception of the deadlines, which are still too short for submitting draft documents, receiving comments from civil society, and evaluation. The monitoring committees are also working well and are still needed. Consultation and communication plans are published in advance. However, **smaller civil society organisations prefer to have access to forums and debates.** In addition, all the civil society organisations explained that they did **not have sufficient capacity to deal with these issues**. **Capacity-building actions (training and education) were suggested.**
- C**ommunication with the Commission** had been **very good before the COVID-19 crisis**, and the government was also involved. It was suggested that **this practice be revived**.
- Involvement of national economic and social councils in Hungary was problematic. There were three councils: one for competitiveness, another for the public sector and a third one, which was the national economic and social council.

Mrs Justyna Ochèdzan, on behalf of the Polish Council for Public Benefit Work, made the following remarks:

- Regarding the 2025 Autumn Package, the Council for Public Benefit Work had not been consulted in the preparations for the **Polish MTFSP**. The plan had indeed been submitted to the Council, but very little of the social partners' and NGOs' opinions had been taken into account.
- For the Polish Council, the plan was very important, in view of the EDP that had been launched against Poland and fears of cuts in social spending.
- The Polish government had announced reforms to the labour market, the digital sector, sustainable water management in rural areas and investment in the hydrogen economy. However, it had decided not to extend the plan to 7 years.

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[6] Organised as part of the 2024-2025 ESG consultation in Member States for the information report ECO/651.

- The Commission had not stipulated mandatory consultation of the social partners and civil society organisations, which in practice meant that the Polish government did not talk to the council.

Mr Mateusz Szymański, Head of the International Cooperation department, NSZZ "Solidarność", spoke on behalf of the Chairman of the Social Dialogue Council, **Mr Piotr Duda**. He explained the following:

- The Social Dialogue Council had been involved in the European Semester Process for many years.
- Because of the EDP imposed on Poland, the European Semester had come under the spotlight in public debate.
- For many years, the European Semester had emphasised the involvement of social partners, and it was therefore felt **that the Commission had understood the need for such involvement**. There had been **regular consultations** every year until the COVID-19 crisis. That practice had been **suspended** and consultations were now incomplete. **The government did inform the Social Dialogue Council of proposed reforms and investment measures**, but the council had **no way of contributing to them**. And this was despite the previous European Commission's firm emphasis on strengthening social dialogue. Therefore, there seemed to be **inconsistency** in the approach adapted. The Commission may have been wrong to **move away from mandatory consultation**; certainly, the argument that time was limited was not convincing.
- In Poland, one of the Commission's key recommendations had been implemented, namely to establish a fiscal council in the form of an independent body working on budget plans. Unfortunately, this council was going to take over some of the competencies of the social partners in the framework of social dialogue.
- Many of the reforms planned by the government were sensitive, and should therefore be discussed with the social partners.

Members of the NESCs, **Mrs Roussinova** (BG) and **Mrs Serrano Ponz** (ES) raised the following comments:

- The Bulgarian NESC had decided to analyse the whole European Semester process in the country. Three major conclusions had been drawn. They should:
    i. **insist on mandatory consultation of stakeholders** and on **better transparency and monitoring** in the evaluation of reforms and investment linked to the European Semester;
    ii. **institutionalise and structure the participation of NESCs** by setting up standardised procedures and mechanisms for consultation;
    iii. conduct regular reviews of the national reform programmes and national recovery and resilience plans.
- The Spanish NESC considered that the European Semester process was a priority. The council had approved a report[7] on the EU's new economic governance framework. This framework represented significant progress. However certain problems still needed to be resolved: the system remained complex, it made counter-cyclical policies very difficult, and there was still not enough investment in transitions.

The ESG President, Mr Jahier, opened the floor for questions/comments. **Mr Salafranca Sanchez-Neyra**, **Mr Sipko**, **Mr Orrit** and **Mr O'Connor** all spoke:

7 Informe 02-2024 sobre la gobernanza económica de la Unión Europea.

- The aspirations of organised civil society had been expressed very clearly. However, the European Parliament's lack of sensitivity in this respect was worrying.
- Did the ECB consider that we were moving from economic crisis towards more financial and geopolitical stability?
- What were the main risks for the credibility of European public finance?
- What was the thinking about the sustainability of public debt in certain Member States, such as Spain, France and Italy?
- How did the European Commission view the current trajectory of 1 percent economic growth, when expenditure needs were so high?
- What was the perception of convergence progressing under the new fiscal rules?
- The ECB had introduced a restrictive monetary policy because of the very high levels of core inflation. Would core inflation be in line with the 2 percent target in the second half of 2025 or would it remain at the same level as today due to the ECB's restrictive monetary policy, which was one of the main factors slowing economic growth?
- We had to think about our ability to raise fiscal revenue and, above all, the need to distribute it more fairly.
- It was not certain that investment needs could be met in the context of rigorous fiscal adjustments. The only tool that could be used was common European debt.
- In Spain there was no participation in the preparation of the MTFSP; not only was there limited time for this, but there was also political instability.
- Regarding the reduction in net expenditure being offset by investment, what criterion did the ECB use to define these terms? Should they be understood in the traditional sense of current expenditure vs capital expenditure?

Mr Hauptmeier answered as follows:

- On monetary policy stance, he referred to the forthcoming decisions of the Governing Council of the ECB[8].
- On the criterion used to define expenditure, the ECB referred to data published by the Commission and adopted the standard distinction between current and capital expenditure.

Mr Szénégető replied as follows:

- On the question of **real convergence** in a context of new fiscal rules, the simple answer was that we needed to **increase productivity** and develop better policies. In general, we ought to **use EU funds better and more effectively**. The new countries should try to be **better innovators** than the "old" Member States.

Mr Balcerowicz answered as follows:

- The new regulation obliged the Commission to share with Member States prior guidance containing, for those countries above the deficit threshold, a reference trajectory. The Commission also provided guidance on the content of the MTFPs, and technical dialogue was held before plans were submitted in order to ensure compliance with the regulation. This approach had proved to be successful, since 20 of the 21 plans assessed were compliant.

[8] Monetary policy decisions.

- On the **lack of mandatory consultation of civil society on MTFSPs**, in the original version of the regulation proposed by the Commission, consultation had been mandatory. However, following negotiations in the trialogue, it had been agreed that **for the first generation of plans, consultation would not be made mandatory**. During the technical dialogue with Member States, the Commission had insisted that consultation take place.
- As regards the lack of retrospective assessment of several EU initiatives, the reform of the EU's economic governance framework was the result of a retrospective assessment of the Stability and Growth Pact. The new regulation also contained an **obligation for the Commission to conduct a retrospective assessment every five years**.
- On reconciling weak economic growth and investment needs, this should be tackled in two ways: by increasing potential growth and by making public finances more sustainable, for example by making fiscal adjustments. The new framework made this possible by allowing more gradual adjustments.

The ESG president, **Mr Jahier**, concluded the debate and highlighted the following:

- **The reform had demonstrated that it could work**. In a short space of time, many Member States had been able to present their MTFSPs.
- In most cases, even national parliaments and some ministers had not understood the meaning of the reform. In Italy, preparations for the plan had begun in June, but the parliament had not wanted to trigger an exchange on the plan's contents.
- **Greater involvement of NESCs, in a structured way, would be welcome**. National ownership was what had been lacking in the previous framework.
- The **growing capacity of civil society** to discuss these issues had to be recognised. A **mandatory and binding framework of ex-ante, on-going and ex-post consultation remained ideal**.

ATTENDANCE LIST

List of members				
Mr/Ms	**Present**	**Remotely**	**Absent**	**Apologies**
ANDERSSON, Krister	X	X		
ANTONIOU, Michalis (replaced by Eleni PANAYIOTOU)	X			X
ATS, Kerli	X			
BIEGON, Dominika (Rule 85.3 from SCHMIDT, Peter)	X	X		
BOLLON, Pierre	X			
CABRA DE LUNA, Miguel Ángel	X	X		
CALISTRU, Elena-Alexandra			X	
DANDEA, Petru Sorin	X			
DEL RIO, Cinzia				X
DOZ ORRIT, Javier	X			
EDELÉNYI, András	X			
GOBIŅŠ, Andris				X

IOANNIDIS, Athanasios	X			
JAHIER, Luca	X			
KINDBERG, Mette	X			
KIUKAS, Vertti	X			
LIBAERT, Thierry				X
LOBO XAVIER, Gonçalo	X	X		
MANOLOV, Dimitar			X	
MARTINOVIĆ DŽAMONJA, Dragica	X			
MORKIS, Gintaras	X			
O'CONNOR, Jack	X			
OCHĘDZAN, Justyna Kalina	X			
OSTROWSKI, Krzysztof	X			
PALMIERI, Stefano	X			
PANAYIOTOU, Eleni (Rule 87 from ANTONIOU, Michalis)	X			
PLAT, Jacob	X	X		
POČIVAVŠEK, Jakob Krištof	X	X		
REALE, Maurizio	X			
ROBYNS DE SCHNEIDAUER, Wautier				X
RÖPKE, Oliver	X			
SALAFRANCA SANCHEZ-NEYRA, José Ignacio	X			
SCHLÜTER, Bernd	X	X		
SCHMIDT, Peter				X
SIPKO, Juraj	X			
SVENTEK, David	X			
VARDAKASTANIS, Ioannis	X			
VON BROCKDORFF, Philip	X			
VORBACH, Judith	X	X		
WAGENER, Marco	X			
ZARIŅA, Katrīna	X			